

Knowing your interest in tax issues, I wanted to let you know that I am leading an effort in the House to oppose the imposition of a new value-added tax (VAT) on the American people. I have served as the chairman of the “Anti-VAT Caucus,” a group of House members dedicated to opposing a new VAT tax, for four years, and was extremely alarmed by President Obama’s recent statement that a new VAT is on the table as an option to address Washington’s out-of-control spending and debt.

Specifically, this week I, joined by Republican Leader John Boehner (R-OH), Republican Whip Eric Cantor (R-VA), Republican Conference Chair Mike Pence (R-IN), and more than 80 other members of the House Republican Conference, introduced a House resolution to express the sense of the House that instituting a European-style VAT on top of the current U.S. tax code would be devastating to our economy and hurt job creation. The VAT is a hidden consumption tax that is added at every level of production and is ultimately borne by consumers. For example, in the case of an automobile, the company that supplies the raw materials, the company that manufactures the individual parts, and the company that assembles the vehicle itself would each be charged the VAT. The VAT would also be imposed on the dealer who sells the car to the consumer. Ultimately, this would be a massive new tax on every American.

I strongly agree that we must confront the national debt and do so in an urgent manner, but I also strongly believe that our massive debt hasn’t resulted because taxes are too low; rather, it has come about because of government spending that is and has been far too high. The fiscal year 2010 deficit is expected to approach \$1.6 trillion and under President Obama’s budget, it won’t go lower than \$700 billion over the next ten years. Adding up all of these annual deficits, the national debt will more than double by the time today’s newborns reach just the 5th grade. We need to address these deficits and debt by significantly reducing and reforming federal spending programs so Washington lives within its means.

A new European-style VAT will only further the catastrophic cycle of tax-and-spend governance in Washington. Raising taxes would severely undermine all facets of our economy, invite more spending and feed the growth of government. You simply have to look at what has happened in Europe to see the damage it could inflict. Proponents of the VAT have argued that it would result in less federal government borrowing. This hasn’t been the case in Europe. In the time since European countries implemented the VAT in the 1960s, deficits were generally higher in Europe than in the U.S. Taxing and spending begets more taxing and spending. We have to put a stop to this cycle.

In Europe, this heavier spending and tax burden has also meant lower levels of income growth and job creation. Over the last three decades, the U.S. created 45 million new jobs, compared to fewer than 10 million in Europe; in addition, our economy grew one-third faster over the last two decades, according to the Bureau of Labor Statistics. The VAT clearly would create an anchor around our necks as we try to recover from this serious economic downturn. The Senate has already declared its opposition to a VAT by a vote of 85-13, and I will be working tirelessly to urge fellow members of the House to reject this dangerous new tax as well and instead focus on common sense spending restraint in Washington.